UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

ROBERT ANDERSEN, derivatively on behalf of DOLLAR GENERAL CORPORATION, Plaintiff, v. TODD VASOS, JOHN W. GARRATT, MICHAEL M. CALBERT, WARREN F. BRYANT, SANDRA B. COCHRAN, PATRICIA D. FILI-KRUSHEL, PAULA A. PRICE, WILLIAM C. RHODES III and DAVID B. RICKARD, Defendants, and DOLLAR GENERAL CORPORATION, Nominal Defendant.	Civil Action No. **JURY TRIAL DEMANDED**

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1. Plaintiff Robert Andersen ("Plaintiff"), by and through his undersigned attorneys, hereby submits this Verified Shareholder Derivative Complaint (the "Complaint") for the benefit of nominal defendant Dollar General Corporation ("Dollar General" or the "Company") against certain current and/or former members of its Board of Directors (the "Board") and executive officers, seeking to remedy Defendants' (defined herein) breaches of fiduciary duties, unjust enrichment and violations of Section 14(a) of the Securities Exchange Act of 1934, from at least March 2016 through the present (the "Relevant Period").

NATURE OF THE ACTION

2. According to its public filings, Dollar General is one of the largest discount retailers in the United States, offering a large selection of products, including consumables. As of February 26, 2016, Dollar General managed 12,575 stores located in 43 states.

3. Dollar General's business model is relatively straightforward. The Company attempts to offer general merchandise, basic everyday items and households' needs at a discount price based upon continuous evaluation of needs and demands. Defendants cause Dollar General to identify itself as a "low-cost" operator. As such, Dollar General's customers are largely low and middle income households.

4. Numerous Dollar General customers are eligible for the Supplemental Nutrition Assistance Program ("SNAP"). The program allows low income, senior citizens, disabled and others to receive electronic benefits usable as cash to purchase food.

5. Starting in 1996, SNAP benefits contained a limitation that only allowed unemployed individuals, who are not disabled or raising minor children, to receive SNAP benefits if they were unemployed for less than three months out of a thirty-six (36) month period. Thus, able-bodied adults without dependents could only receive SNAP benefits for a maximum of three months.

6. In 2008, in reaction to the financial crisis and the beginning of a recession period, states started waiving this limitation, some with the intent of re-implementing it once the U.S. economy recovered.

7. In 2016, about 20 states planned to re-institute the three-month limit, effective for the second fiscal quarter of 2016. As a result, an estimated one million SNAP recipients would see their benefits terminated.

8. Throughout the Relevant Period, Defendants made and/or caused the

Company to make materially false and/or misleading statements, misrepresenting the potential impact of the SNAP reduction on Dollar General's operating business and financials.

9. As a portion of the truth was revealed about the impact that the re-institution of the time limitations on SNAP benefits would have on Dollar General's business operations, Dollar General's stock price declined $16.18 per share, or more than 17%, from a close of $91.79 per share on August 24, 2016, to close at $75.61 per share on August 25, 2016.

10. As the full truth was revealed on December 1, 2016, Dollar General's stock price declined $3.84 per share, or nearly 5%, from a close of $77.32 per share on November 30, 2016, to close at $73.48 per share on December 1, 2016.

11. During the Relevant Period, Defendants made and/or caused the Company to make false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made and/or caused the Company to make false and/or misleading statements and/or failed to disclose that the announced limitations on SNAP benefits would have a material impact on the Company's financial performance because 56 percent of Dollar General Stores are located in states that re-implemented time limitations on SNAP benefits in 2016, and therefore the impact of SNAP reductions would be disproportionate to the percentage of the Company's overall sales comprised of SNAP payments. These statements were material because they were made in response to concerns by analysts that SNAP benefits were going to be reduced in a number of states – which potentially would have impacted Dollar General's sales to the extent its business operations were exposed to SNAP changes.

12. As a result of Defendants' actions, the Company has suffered damages. These damages include (but are not limited to) financial harm, a decline in the Company's share price, and severe loss of reputation and standing.

JURISDICTION AND VENUE

13. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 in that this Complaint states a federal question. This Court has supplemental jurisdiction over the state law claims asserted herein pursuant to 28 U.S.C. § 1367(a). This action is not a collusive one to confer jurisdiction on a court of the United States which it would not otherwise have.

14. Venue is proper in this District because Dollar General conducts business and maintains its principal executive offices in this District. Upon information and belief, one or more of the defendants resides in this District. Further, Dollar General engages in numerous activities and conducts business here, which had an effect in this District. In addition, venue is proper in this District because the Company is incorporated in this District.

THE PARTIES

15. Plaintiff is a current shareholder of Dollar General and has continuously held Dollar General stock since November 2010.

16. Nominal defendant Dollar General is a Tennessee corporation with its principal executive offices located at 100 Mission Ridge, Goodlettsville, TN 37072.

17. Defendant Todd Vasos ("Vasos") has served as the Company's Chief Executive Officer ("CEO") and as a director of the Company since June 3, 2015. Vasos joined Dollar General in December 2008 as Executive Vice President, Division President

and Chief Merchandising Officer. He was promoted to Chief Operating Officer in November 2013.

18. Defendant John W. Garratt ("Garratt") has served as the Company's Executive Vice President and Chief Financial Officer ("CFO") since December 2, 2015. Garratt joined Dollar General in October 2014 as Senior Vice President, Finance & Strategy and subsequently served as Interim CFO from July 2015 to December 2015.

19. Defendant Michael M. Calbert ("Calbert") has served as the Chairman of the Board since January 30, 2016. Calbert previously served as the Chairman of the Board from July 2007 until December 2008 and as lead director from March 2014 until January 2016.

20. Defendant Warren F. Bryant ("Bryant") has served as a director of the Company since 2009. In addition, defendant Bryant serves as a member of the Board's Audit Committee (the "Audit Committee").

21. Defendant Sandra B. Cochran ("Cochran") has served as a director of the Company since 2012. In addition, defendant Cochran serves as a member of the Audit Committee.

22. Defendant Patricia D. Fili-Krushel ("Fili-Krushel") has served as a director of the Company since 2012.

23. Defendant Paula A. Price ("Price") has served as a director of the Company since 2014. In addition, defendant Price serves as a member of the Audit Committee.

24. Defendant William C. Rhodes III ("Rhodes") has served as a director of the Company since 2009.

25. Defendant David B. Rickard ("Rickard") has served as a director of the

Company since 2010. In addition, defendant Rickard serves as Chair of the Audit Committee.

26. Collectively, defendants Vasos, Garratt, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard shall be referred to herein as "Defendants."

27. Collectively, defendants Bryant, Cochran, Price and Rickard shall be referred to as the "Audit Committee Defendants." The Audit Committee Defendants constitute a majority of the Board.

DEFENDANTS' DUTIES

28. By reason of their positions as officers, directors, and/or fiduciaries of Dollar General and because of their ability to control the business and corporate affairs of Dollar General and its subsidiaries, Defendants owed Dollar General and its shareholders fiduciary obligations of good faith, loyalty, and candor, and were and are required to use their utmost ability to control and manage Dollar General and its subsidiaries in a fair, just, honest, and equitable manner. Defendants were and are required to act in furtherance of the best interests of Dollar General and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit. Each director and officer of the Company owes to Dollar General and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and its subsidiaries and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

29. Defendants, because of their positions of control and authority as directors and/or officers of Dollar General, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein. Because of their advisory, executive,

managerial, and directorial positions with Dollar General, each of the Defendants had knowledge of material non-public information regarding the Company.

30. To discharge their duties, the officers and directors of Dollar General were required to exercise reasonable and prudent supervision over the management, policies, practices and controls of the Company. By virtue of such duties, the officers and directors of Dollar General were required to, among other things:

a. Exercise good faith to ensure that the affairs of the Company were conducted in an efficient, business-like manner so as to make it possible to provide the highest quality performance of their business;

b. Exercise good faith to ensure that the Company was operated in a diligent, honest and prudent manner and complied with all applicable federal and state laws, rules, regulations and requirements, and all contractual obligations, including acting only within the scope of its legal authority; and

c. When put on notice of problems with the Company's business practices and operations, exercise good faith in taking appropriate action to correct the misconduct and prevent its recurrence.

31. The Company's Code of Business Conduct and Ethics (the "Code") applies to each of the Defendants. The Code sets forth, in relevant part:

> **Ensuring Accuracy of Records and Public Disclosures**
> Our Company's SEC filings and other public communications must contain full, fair, accurate, timely and understandable information, without fail. To fulfill this obligation, we must comply with generally accepted accounting principles and our internal controls policies and procedures. We also must ensure Dollar General's books and records are accurate, complete and truthful at all times. This means any business records we submit—such as expense reports, time records and contract documentation—must be timely,

> complete and honest, and we may never maintain "off the books" accounts or make false or misleading entries. If you become aware of a potential problem with our Company's accounting or public disclosures, raise your concern with our Controller or CFO immediately.

32. Pursuant to the terms of the Audit Committee Charter, the Audit Committee Defendants (who constitute a majority of the Board and are required to meet no less than four times each year) were responsible for, *inter alia*, assisting Board oversight of the integrity of the Company's financial statements and the Company's compliance with legal and regulatory requirements, as well as preparing the report required by the U.S. Securities and Exchange Commission (the "SEC") for inclusion in the annual proxy statement. With respect to financial statements and disclosures, the Audit Committee Defendants are specifically obligated to, *inter alia*:

a. Review and discuss with management and the independent auditors:

1. The Company's annual audited financial statements and quarterly unaudited financial statements. This review must be conducted at a meeting (whether in person, telephonic or otherwise) and must include a review of the Company's specific disclosures under MD&A. The Committee shall recommend to the Board whether the annual audited financial statements should be included in the Company's Form 10-K.

2. Any Company-related illegal acts and related party transactions, as well as the independent auditors' report mandated by Section 10A of the Securities Exchange Act of 1934 regarding: (a) critical accounting policies and practices, (b) alternative treatments of financial information within GAAP that have been discussed with management, along with the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors, and (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

3. Major issues regarding accounting principles and financial

statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy and effectiveness of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.

4. Analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

5. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

6. Any other matters required to be communicated to the Committee by the independent auditors pursuant to applicable rules of the Public Company Accounting Oversight Board.

b. Discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be general (i.e., in terms of the types of information to be disclosed and the type of presentation to be made, paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information), and the Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.

c. Discuss the Company's policies governing the process by which risk assessment and risk management is undertaken. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

d. Review disclosures made by the CEO and CFO regarding any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and any fraud that involves management or other employees that have a significant role in the Company's internal control over financial reporting.

SUBSTANTIVE ALLEGATIONS

A. Background of the Company and its Business

33. According to its public filings, Dollar General is one of the largest discount retailers in the United States, offering a large selection of products, including consumables. As of February 26, 2016, Dollar General managed 12,575 stores located in 43 states.

34. Dollar General's business model is relatively straightforward. Dollar General attempts to offer general merchandise, basic everyday items and households' needs at a discount price based upon continuous evaluation of needs and demands. Defendants cause Dollar General to identify itself as a "low-cost" operator. As such, Dollar General's customers are largely low and middle income households.

35. Numerous Dollar General customers are eligible for SNAP. The program allows low income, senior citizens, disabled and others to receive electronic benefits usable as cash to purchase food.

36. Starting in 1996, SNAP benefits contained a limitation that only allowed unemployed individuals, who are not disabled or raising minor children, to receive SNAP benefits if they were unemployed for less than three months out of a thirty-six (36) month period. Thus, able-bodied adults without dependents could only receive SNAP benefits for a maximum of three months.

37. In 2008, in reaction to the financial crisis and the beginning of a recession period, states started waiving this limitation, some with the intent of re-implementing it once the U.S. economy recovered.

38. In 2014, during a conference call to discuss the Company's financial and operating results for the third fiscal quarter and nine-months ended October 31, 2014,

Dollar General's then-acting CEO Rick Dreiling ("Dreiling") discussed the importance of SNAP on the Company's core customers. Dreiling explicitly recognized that SNAP Benefits impacted Dollar General's business. Dreiling stated, in relevant part:

> While on paper, it appears that the economy is improving, the low to middle income consumer who is our core customer continues to look for ways to manage her budget as she works to prioritize her spending and she trusts that we are on her side to help her stretch her budget. Keep in mind, she had a tough fourth quarter last year with the number of headwinds that are starting to moderate year-over-year, including SNAP benefit reductions, challenging weather, higher energy costs, reduction in unemployment benefits and the lingering effects on consumer spending from the 2% payroll tax increase in 2013.
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> As I reflect on our trends for the year, I believe that we underestimated the impact of these cumulative headwinds on our customer. As a result, there is no doubt that affordability is and will continue to be a focus of our core customer. Our renewed focus on $1 to $5 items continues to gain traction. We had more than 75% of our SKUs or 78% of our sales for the third quarter that were items priced at $5 or less.
>
> This is important as we know we trade more customers with the $1 fixed price retail concept than any other small box retailers. Beyond that, we are continuing to add items with approximately 80 SKUs under our smart and simple brand at entry level price points across 26 merchandise categories.

39. From 2014 to 2016, about 20 states planned to re-institute the three-month limit, effective for the second fiscal quarter of 2016. As such, an estimated one million SNAP recipients would see their benefits terminated.

B. <u>Defendants' Relevant Period False and Misleading Statements</u>

40. On March 10, 2016, Defendants caused the Company to issue a press release, also attached as an exhibit to a Form 8-K filed with the SEC, announcing the Company's financial and operating results for the fourth fiscal quarter ended January 29, 2016 ("March 2016 Press Release"). For the quarter, Defendants caused the Company to report net income of $376 million, or $1.30 per diluted share, compared to net income of

$355 million in the previous year's comparable quarter. In the March 2016 Press Release, Defendants also touted that the Company had increased same-store sales by 2.2% during the fiscal quarter. The March 2016 Press Release set forth, in relevant part:

> **Dollar General Reports Record Fourth Quarter and Full Year 2015 Financial Results; Board of Directors Increases Regular Quarterly Cash Dividend by 14%**
>
> - **Full Year Net Sales Increased 7.7%; Full Year Same-Store Sales Increased 2.8%**
> - **Fourth Quarter Net Sales Increased 7.0%; Fourth Quarter Same-Store Sales Increased 2.2%**
> - **13% EPS Growth for Fiscal 2015; Fiscal 2015 EPS of $3.95 and Adjusted Fiscal 2015 EPS of $3.96**
> - **Company Outlines Long-Term Financial Growth Model**
> - **Company Plans Share Repurchases of Approximately $1.0 Billion in Fiscal 2016**
>
> GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)-- Dollar General Corporation (NYSE: DG) today reported record sales, net income and diluted earnings per share ("EPS") for its fiscal 2015 fourth quarter (13 weeks) and full year (52 weeks) ended January 29, 2016.
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> "2015 was another great year for Dollar General as we achieved strong financial results with a focus on profitable sales growth. For the 26th consecutive year, we delivered positive same-store sales growth. In the fourth quarter, we effectively balanced sales and operating profit through our toughest quarterly comparison of the year to deliver record results leading to full year diluted EPS growth of 13%,'' said Todd Vasos, Dollar General's chief executive officer.
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> "Looking ahead, Dollar General continues to have significant opportunities for growth. The goal of our long-term growth model that we announced today is to drive 11% to 17% total annual shareholder return per year through EPS growth and dividend yield. Considering the financial results we have delivered over the last three years and consistent with how we are managing the business, our growth model is focused on increasing long-term shareholder value by driving profitable sales growth, capturing growth opportunities, enhancing our position as a low-cost operator and investing in our people. For 2016, we plan to return approximately $1.3 billion to shareholders through anticipated quarterly cash dividends and consistent share repurchases."

Vasos continued, "The Company remains well-positioned to serve our customers with value and convenience. We continue to take the appropriate strategic steps to ensure that we are investing in the Company for sustainable and consistent growth."

Fourth Quarter 2015 Highlights

The Company's net income for the 2015 fourth quarter was $376 million, or diluted EPS of $1.30, compared to net income of $355 million, or diluted EPS of $1.17, in the 2014 fourth quarter.

Net sales increased 7.0 percent to $5.29 billion in the 2015 fourth quarter compared to $4.94 billion in the 2014 fourth quarter. Departments with the most significant increases in net sales were candy and snacks, perishables, tobacco, and food. Same-store sales increased 2.2 percent, resulting from increases in both customer traffic and average transaction amount. Same-store sales increases were driven by strength in both the consumables and the non-consumables categories. In the consumables category, growth was driven primarily by candy and snacks, tobacco and perishables. Growth in the non-consumable category was broad-based with notable strength across seasonal and home, offset by a modest decline in apparel.

The Company's gross profit, as a percentage of sales, was 31.8 percent in the 2015 fourth quarter compared to 31.7 percent in the 2014 fourth quarter, an increase of 12 basis points. Lower transportation costs and an improved rate of inventory shrinkage were the primary factors of the improved performance, while increased markdowns were an offset.

Selling, general and administrative expenses ("SG&A") were $1.07 billion in the 2015 fourth quarter, compared to $1.00 billion in the 2014 fourth quarter. For both the 2015 and 2014 quarters, SG&A as a percent of sales was 20.2 percent. The 2015 fourth quarter results reflect increases in incentive compensation, retail salaries, and occupancy costs, offset by lower utility costs and administrative salaries as a percentage of sales. The 2014 fourth quarter results reflect expenses of $6.1 million, or 12 basis points as a percentage of sales, related to an acquisition that was not completed.

The effective income tax rate in the 2015 fourth quarter was 36.1 percent compared to 34.8 percent in the 2014 fourth quarter. Both years benefitted from the retroactive reenactment of the Work Opportunity Tax Credit ("WOTC"). The effective tax rate for the 2015 fourth quarter was higher than the 2014 quarter due to state income tax benefits recorded in the 2014 period as well as a benefit in the 2014 quarter associated with a change in the deductibility of expenses incurred in prior quarters of that year associated with an acquisition that was not completed.

As noted above, the 2015 fourth quarter effective tax rate benefitted from the retroactive (for employees hired on or after January 1, 2015) reenactment of the WOTC. A total benefit of approximately $16.5 million, or $0.06 per share, from this reenactment was recorded in the 2015 fourth quarter. Of this amount, approximately $11.5 million would have been recorded in previous 2015 quarters had the law been approved at the beginning of the year, as follows: $3.6 million in the first quarter, $4.0 million in the second quarter and $3.8 million in the third quarter.

Full Year 2015 Financial Results

Full year 2015 net sales increased 7.7 percent to $20.4 billion compared to net sales of $18.9 billion in 2014. Departments with the most significant increases in net sales were candy and snacks, perishables, tobacco, and food. Same-store sales increased 2.8 percent, including increases in both customer traffic and average transaction amount resulting from the refinement of the Company's merchandise offerings, as well as increases in candy and snacks, tobacco products and perishables, and increased utilization of store square footage. In addition, all four product categories contributed to same-store sales growth.

The Company's gross profit rate was 31.0 percent of sales in 2015 compared to 30.7 percent in 2014, an increase of 27 basis points. The majority of the gross profit rate increase in 2015 as compared to 2014 was due to lower transportation costs and an improved rate of inventory shrinkage, partially offset by increased markdowns. The Company recorded a LIFO benefit of $2.3 million in 2015 compared to a LIFO provision of $4.2 million in 2014.

Full year SG&A was 21.4 percent of sales in 2015 compared to 21.3 percent in 2014, an increase of 10 basis points. The 2015 SG&A results reflect increases in incentive compensation expenses, repairs and maintenance expenses, occupancy costs, and fees associated with an increase in debit card transactions. Partially offsetting these items was a higher volume of cash back transactions resulting in increased convenience fees collected from customers. The 2014 SG&A results reflect expenses of $14.3 million, or 8 basis points as a percentage of sales, related to an acquisition that was not completed.

The effective income tax rate for 2015 was 37.1 percent compared to 36.6 percent for 2014. The effective income tax rate was lower in 2014 due principally to federal and state reserve releases in 2014 that did not reoccur, to the same extent, in 2015. As in prior years, we received a significant income tax benefit related to wages paid to certain newly hired employees that qualify for federal jobs credits (principally the Work Opportunity Tax Credit). In December 2015, Congress retroactively extended the federal law authorizing the WOTC for the period from January 1, 2015 through

December 31, 2019. Accordingly, the WOTC should be available for the next few years.

The Company reported net income of $1.17 billion, or diluted EPS of $3.95, for fiscal year 2015 compared to net income of $1.07 billion, or diluted EPS of $3.49, for fiscal year 2014. Both net income and adjusted net income increased over 9 percent. Adjusted diluted EPS increased 13 percent to $3.96 in fiscal 2015 compared to adjusted diluted EPS of $3.50 in fiscal 2014. Both adjusted net income and adjusted diluted EPS are defined under "Non-GAAP Disclosure" below and are reconciled to the most directly comparable GAAP measure in the accompanying schedules.

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Financial Growth Outlook

The Company has established a financial growth model that is focused on long-term shareholder value creation. Key components of the model include:

Key Drivers	Annual Target
Net Sales	+7 to 10%
- Square Footage	+6 to 8%
- Same-Store Sales	+2 to 4%
Operating Profit	+7 to 11%
Diluted Earnings per Share	+10 to 15%
Cash from Operations	7 to 8% of Sales
Capital Expenditures	2 to 3% of Sales
Annual Shareholder Return (EPS Growth + Dividend Yield)	+11 to 17%

For the 53-week fiscal year ending February 3, 2017 ("fiscal 2016"), the Company expects the 53rd week to contribute approximately 200 basis points to its net sales performance and $0.09 per diluted share to EPS.

Including the impact of the 53rd week, the Company expects its fiscal 2016 net sales and diluted EPS results to be at the high end of the ranges outlined in the growth model above. Same-store sales growth for fiscal 2016 is forecasted to be near the middle of the range as outlined in the growth model above.

The Company plans to open approximately 900 new stores and relocate or remodel 875 stores in fiscal 2016. Capital expenditures for fiscal 2016 are expected to be in the range of $550 million to $600 million.

> The Company intends to update its diluted EPS guidance only if the Company no longer reasonably expects diluted EPS to fall within the 10 percent to 15 percent range outlined in the growth model above. The Company does not intend, and specifically disclaims any duty, to update its expectations regarding where in the range of guidance fiscal 2016 net sales, same-store sales or diluted EPS may fall, or to update any component of the growth model outlined above, other than diluted EPS as specified herein. The Company also does not intend, and specifically disclaims any duty, to update its dollar range for expected fiscal 2016 capital expenditures unless otherwise required by applicable securities laws.
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> The Company intends to use the financial growth model in discussions of its business beginning in 2016 and in future years, and by doing so the Company does not undertake to update any portion of the growth model except as specified herein.

41. On March 12, 2016, Defendants caused the Company to hold a conference call to discuss the Company's financial and operating results for the fourth fiscal quarter ended January 29, 2016. During this call, defendant Vasos responded to a question from analyst Meredith Adler ("Adler") concerning SNAP benefits:

> **Adler:** Okay, great. And then just a quick question about SNAP, which I know is not a huge piece of your revenues. But I think the FDA is talking about making some changes to qualifying for SNAP. And I'm wondering if you guys are looking at that and kind of what you think that means for your business.
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> **Defendant Vasos:** Yeah, Meredith, yeah, we are watching that and we – as you know and you mentioned earlier, SNAP for us is approximately 5% of our sales. So it really has – it's not a huge piece of the business but yet our core consumer does rely on SNAP benefits in a lot of cases. But in saying that, the great thing here about Dollar General and we'll continue to monitor it, is that we offer her a great value proposition at the price. So whether she's pinched a little bit with SNAP or not, she can definitely come here to Dollar General and get all her needs. And we'll continue to deliver on that promise to her because she actually comes to us to make sure we can deliver on it.

42. On March 22, 2016, Defendants caused Dollar General to file a Form 10-K with the SEC announcing the Company's financial and operating results for the fourth fiscal quarter and year ended January 29, 2016 (the "2015 10-K"), which was signed by

Defendants. In addition, the 2015 10-K contained certifications pursuant to the Sarbanes Oxley Act of 2002 ("SOX Certifications") signed by defendants Vasos and Garratt, which attested to the adequacy of the Company's disclosure controls and internal controls over financial reporting and certified:

> 1. I have reviewed this annual report on Form 10-K of Dollar General Corporation;
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> 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
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> 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
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> 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
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> (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
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> (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
>
> (c) Evaluated the effectiveness of the registrant's disclosure

controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

* * *

Each of the undersigned hereby certifies that to his knowledge the Annual Report on Form 10-K for the fiscal year ended January 29, 2016 of Dollar General Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

43. Throughout the 2015 10-K, Defendants reapproved the previous statements.

44. The statements above (issued under Defendants' direction and on their watch) were false and/or misleading and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, these statements were false

and/or misleading statements and/or failed to disclose that: (i) a significant percentage of Dollar General's EPS growth was tied to revenues derived from SNAP benefit recipients; (ii) the reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials, particularly the Company's fiscal 2016 EPS guidance and same-store growth estimates; (iii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iv) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (v) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

45. On March 25, 2016, Defendants caused Dollar General to hold its 2016 Investor Day during which Dollar General's Executive Vice President and Chief Merchandising Officer Jim Thorpe ("Thorpe") recognized that the impact of no cost of living increases for its SNAP recipient customers and also touted the Company's "deep and actionable understanding of our customers." Thorpe stated, in relevant part:

> There were no cost of living increases this year and that particularly hurts our SNAP and Social Security recipients especially hard. And healthcare costs and rents continue to rise which also impacts our customers more than higher income households. This has resulted in the majority of Americans living on the bubble of economic uncertainty. 60% of Americans don't have a savings safety net of $1000 and 20% don't have a savings account at all. So as you will see, our customers simply haven't received the benefit of the economic recovery.
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> * * *
>
> So one of Dollar General's core strengths is our deep and actionable understanding of our customers. We know who they are, where they shop, how they shop, what they buy, how much they spend but more importantly

> we know their attitudes and their behaviors. And we get this through our integrated and actionable customer segmentation process. Now this knowledge is certainly at the core of our category management process and it drives all of our merchandising and pricing decisions but it also guides decisions across our entire organization including how we market and brand to our customers, how we design stores and in our site selection and actually how we operate our stores each and every day. And we recently re-segmented our customers which is the first re-segmentation we've done since 2012 and it's based on a trip projection methodology that Nielsen is piloting in their Homescan panel and it provides a much more accurate representation of our customer spending and significantly improves our customer insights. Now Dollar General is the very first retailer in America to launch customer segmentation using this new trip projection methodology.
>
> Now in 2016, our new re-segmentation, we have three BFFs -- Tiffany, Sylvia and Virginia -- now representing 34% of shoppers and 66% of sales but still only earn $40,000 a year. Very budget conscious but many still having to rely on government assistance to get by. Now they spend about $774 a year with us, shop us three times a year and when they shop they spend about $20.

46. The above supports the fact that Defendants knew (or should have known) information concerning the forthcoming effects of the re-institution of the time limitation on SNAP benefits and/or the impact it would have on the Company and its financials.

47. On April 8, 2016, Defendants caused the Company to file with the SEC and disseminate to shareholders a Proxy Statement on Form DEF 14A (the "2016 Proxy"). Among other things, the 2016 Proxy sought votes for the election of directors, set forth executive compensation, and explicitly referenced the Code.

48. The 2016 Proxy was false and misleading, because even though it sought director reelection and set forth the executive compensation packages awarded, Defendants failed to disclose that: (i) a significant percentage of Dollar General's EPS growth was tied to revenues derived from SNAP benefit recipients; (ii) the reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials,

particularly the Company's fiscal 2016 EPS guidance and same-store growth estimates; (iii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iv) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (v) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

49. Further, in the 2016 Proxy, Defendants failed to disclose that they were violating the Code. This was all material to shareholders, including in Dollar General shareholders' votes on the director nominees.

50. On May 26, 2016, Defendants caused Dollar General to issue a press release, also attached as an exhibit to a Form 8-K filed with the SEC announcing the Company's financial and operating results for the first fiscal quarter ended April 29, 2016 ("May 2016 Press Release"). For the quarter, Defendants caused the Company to report net income of $295 million, or $1.03 per diluted share, compared to a net income of $253 million in the previous year's comparable quarter. The May 2016 Press Release also touted that the Company had increased same-store sales by 2.2% during the fiscal quarter over the same fiscal quarter in fiscal 2015. However, Defendants did not disclose any information about the impact of the re-institution of time limits on SNAP benefits on its operational business.

51. The same day, Defendants caused Dollar General to file a Form 10-Q with the SEC announcing the Company's financial and operating results the first fiscal quarter ended April 29, 2016. The Form 10-Q contained SOX Certifications, which were

substantially similar to those set forth above. Throughout the Form 10-Q, Defendants reapproved the previous statements.

52. During a conference call that day discussing the Company's quarterly earnings results, defendant Vasos failed to provide any update on the reduction in SNAP benefits or the impact it was having on the Company.

53. The statements above (issued under Defendants' direction and on their watch) were false and/or misleading as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, these statements were false and/or misleading statements and/or failed to disclose that: (i) a significant percentage of Dollar General's EPS growth was tied to revenues derived from SNAP benefit recipients; (ii) the reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials, particularly the Company's fiscal 2016 EPS guidance and same-store growth estimates; (iii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iv) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (v) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

C. <u>The Truth Slowly Emerges</u>

54. On August 25, 2016, Defendants caused Dollar General to issue a press release, also attached as an exhibit to a Form 8-K filed with the SEC announcing the Company's financial and operating results for the second fiscal quarter ended July 29, 2016

("Q2 2016 Press Release"). For the quarter, Defendants caused the Company to report net income of $307 million, or $1.08 per diluted share, compared to net income of $282 million in the previous year's comparable quarter. In the May 2016 Press Release, Defendants also touted that the Company had increased same-store sales by 0.7% during the fiscal quarter. Defendants reported same-store sales growth of only 0.7% for the quarter, and attributed the disappointing results in part to "a reduction in both SNAP participation rates and benefit levels."

55. The press release set forth, in relevant part:

> **Dollar General Reports Second Quarter 2016 Financial Results**
>
> - **Net Sales Increased 5.8%; Same-Store Sales Increased 0.7%**
> - **Diluted Earnings Per Share Increased 14% to $1.08; Year to Date Through the Second Quarter, Diluted**
> - **Earnings Per Share Increased 18% to $2.11**
> - **Cash From Operations Increased 36% Year to Date Through the Second Quarter**
> - **$597 Million of Capital Returned to Shareholders Year to Date Through the Second Quarter**
> - **Board of Directors Approves Incremental $1.0 Billion Share Repurchase Authorization; Declares Third Quarter 2016 Dividend**
> - **Confirms 2016 Full Year Diluted EPS Guidance of 10% to 15% Growth**
>
> GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--August 25, 2016— Dollar General Corporation (NYSE: DG) today reported financial results for its fiscal 2016 second quarter (13 weeks) ended July 29, 2016.
>
> "We are pleased with our 2016 second quarter diluted earnings per share growth of 14 percent over the 2015 second quarter, although our same-store sales performance fell short of our expectations. Retail food deflation and a reduction in both SNAP participation rates and benefit levels, coupled with unseasonably mild spring weather, proved to be stronger than expected headwinds to our business. The competitive environment also intensified in select regions of the country. Importantly, even amidst a challenging sales environment, we effectively managed our gross profit margin and leveraged our selling, general and administrative expense as a percent of sales," said Todd Vasos, Dollar General's chief executive officer.

"For the second half of the year, we have action plans across both merchandising and store operations intended to drive same-store sales while maintaining strict expense control discipline. Looking ahead, we remain focused on our long-term strategy to invest for growth while also returning cash to shareholders through consistent share repurchases and anticipated quarterly dividends."

Second Quarter 2016 Highlights
The Company's net income was $307 million, or $1.08 per diluted share, in the 2016 second quarter, compared to net income of $282 million, or $0.95 per diluted share, in the 2015 second quarter.

Net sales increased 5.8 percent to $5.39 billion in the 2016 second quarter compared to $5.10 billion in the 2015 second quarter. Same-store sales increased 0.7 percent driven primarily by an increase in average transaction amount offset by a decline in traffic. Same-store sales increases were driven by positive results in the consumables category accompanied by results in the seasonal category that were flat when compared to the 2015 second quarter, offset by negative results in the apparel and home categories. The net sales increase was also positively affected by sales from new stores, modestly offset by sales from closed stores.

Gross profit, as a percentage of net sales, was 31.2 percent in the 2016 second quarter, an increase of 2 basis points from the 2015 second quarter. The gross profit rate increase was primarily attributable to higher initial inventory markups and lower transportation costs, partially offset by higher markdowns, a greater proportion of sales of consumables merchandise, which have a lower gross profit rate than non-consumables merchandise, and increased inventory shrink.

Selling, general and administrative expense ("SG&A") as a percentage of net sales was 21.7 percent in the 2016 second quarter compared to 21.8 percent in the 2015 second quarter, a decrease of 8 basis points. The SG&A decrease was primarily attributable to lower administrative payroll, advertising, and incentive compensation expenses. Partially offsetting these items were retail labor and occupancy costs, each of which increased at a rate greater than the increase in net sales.

The effective income tax rate was 36.8 percent for the 2016 second quarter compared to a rate of 38.0 percent for the 2015 second quarter. The effective income tax rate was lower in the 2016 second quarter due primarily to the recognition of additional amounts of the Work Opportunity Tax Credit ("WOTC") in the 2016 second quarter.

The December 2015 reenactment of the WOTC allowed the Company to receive credits for eligible employees hired during the second quarter of

2016. By comparison, in the 2015 second quarter, only a limited number of employees (hired on or before December 31, 2014) were eligible for the credit.

56. The same day, during a conference call to discuss the Company's financial and operating results for the second fiscal quarter ended July 29, 2016, defendant Vasos fielded questions from analysts:

> **Defendant Vasos:**
> Thank you, Mary Winn, and welcome to everyone joining our call. For the second quarter, we are pleased with our double-digit earnings per share growth even as our same-store sales performance fell short of our expectations.
>
> * * *
>
> Key factors that negatively impacted our expected same-store sales performance included, a greater than anticipated headwind from price deflation across key perishable items with retail prices down about 8% for milk and over 50% for eggs, our two largest products within perishables. Second a reduction in both SNAP participation rates and benefit levels, third an unseasonably mild spring and lastly an intensified promotional environment in select regions of the country.
>
> We estimate that the headwinds from price deflation and the reduction in SNAP benefits negatively impacted our same-store sales for the second quarter by approximately 60 to 70 basis points.
>
> As I will discuss in more detail later in the call, we are taking aggressive action across merchandizing and store operations to address these factors and help drive same-store sales. And we will continue to be very disciplined in our SG&A spending."
>
> * * *
>
> **Paul Trussell:**
> Okay, I guess, just going back to the comp, just wanted to - so no guidance in terms of the comp over the balance of the year. Could you maybe just speak to the cadence of comps during the second quarter and the impact that you mentioned of 60 to 70 basis points from deflation in SNAP, do you expect that a similar impact to be ongoing?
>
> **Defendant Vasos:**
> Yes, Paul, I would tell you that all theories in the second quarter were

positive. So we are very happy to have seen that. As I look forward to the back half of the year, I believe many if not most all of the same headwinds we saw on the sales line continue to be there in the back half of the year. Deflation as well as SNAP that 60 to 70 basis points is a headwind that is not going to go away. Now, trying to counter that obviously will be our price investments. Now as you know though, price investments they kind of resonate with the consumer and while we are very confident that it will drive units and traffic it will take a little time for that initiative to take hold."

* * *

Dan Wewer:
Just one other follow-up the drop in customer transactions per store, I believe that just the first time that's happened since the buyout back in 2008. Where do you think that that business shifted? Was it to the mass merchants and perhaps they are able to take advantage of the lower gasoline pricing and their customers becoming more mobile as a result?"

Defendant Vasos:
When we look at it, the headwind of SNAP for us really was a big deal and also our core consumer continues to be under a lot of pressure. I know that, when we look at globally, the overall US population, it seems like things are getting better but when you really start breaking it down.

And you look at that core consumer that we serve on the lower economic scale that's out there that demographic, things have not gotten any better for her and arguably they are worse and they are worse because rents are accelerating, healthcare is accelerating on her at a very, very rapid cliff and now, you couple that upwards of 20 states where they have reduced or eliminated the SNAP benefit and it has really put a toll on her.

That SNAP benefit reduction and/or elimination have begun in April, right that was a kick off and you could see it immediately in the numbers. So I believe that those are the things that are affecting her today again, our core customers and by the way, we've seen those play out before.

If you dwell the prospects of October of 2013 and coming into November of 2013 when the last large SNAP benefit reduction happened it happened almost exactly the same way on our comps and how we thought traffic. Obviously, we are up a little higher level at that time, but rest assured that our traffic slows tremendously then very similar as it did now.

57. On the release of the news, the Company's share price declined $16.18 per share, or approximately 17.6%, from a closing price of $91.79 per share on August 24,

2016, to close at $75.61 per share on August 25, 2016. However, the full truth regarding Defendants' actions and statements had yet to emerge.

58. Defendants' statements above were false and/or misleading as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, these statements were false and/or misleading statements and/or failed to disclose that: (i) that reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials more than Defendants had previously disclosed, particularly on the Company's fiscal 2016 EPS guidance and same-store growth estimates; (ii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iii) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (iv) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

59. On December 1, 2016, before the market opened, Defendants caused Dollar General to issue a press release, also attached as an exhibit to a Form 8-K filed with the SEC, announcing the Company's financial and operating results for the third fiscal quarter and nine month ended October 28, 2016 ("Q3 2016 Press Release"). For the quarter, Defendants caused the Company to report net income of $253 million, or $0.84 per diluted share, compared to a net income of $253 million, or $0.86 per diluted share in the previous year's comparable quarter. Under Defendants' direction and on their watch, the Company saw a same-store sales decrease of 0.1%. This was a shocking announcement, since up to this point Dollar General had reported 26 consecutive years of same-store sales increases.

Once again, Defendants attributed the Company's poor performance to reductions in SNAP benefits, and specifically to "an acceleration in headwinds from . . . reductions in SNAP benefits in the 2016 third quarter as compared to the 2016 second quarter." Defendants also modified the Company's annual earnings guidance, stating that earnings per share would be at the low end of its previous guidance range of 10% to 15% growth.

60. The press release set forth, in relevant part:

> GOODLETTSVILLE, Tenn.--(BUSINESS WIRE)--December 1, 2016—Dollar General Corporation (NYSE: DG) today reported financial results for its fiscal 2016 third quarter (13 weeks) ended October 28, 2016.
>
> "The challenging retail environment that we experienced in the 2016 second quarter continued into the third quarter, contributing to weakness in our same-store sales and our financial performance. In the 2016 third quarter, we invested in gross margin with the goal of driving traffic and sales over time. Many of these actions are gaining traction with our core customers, and we are encouraged by the early results. As expected, the full benefit on our same-store sales will not be immediate. In addition, we saw an acceleration in headwinds from average unit retail price deflation and reductions in SNAP benefits in the 2016 third quarter as compared to the 2016 second quarter. We are focused on efforts to drive traffic in our stores and to control the factors we can control as we look to overcome the issues impacting our results, many of which we believe are macroeconomic and transitory in nature," said Todd Vasos, Dollar General's chief executive officer.
>
> "We continue to believe that our business model is strong given our value proposition to our consumers. We are investing in accelerated new store growth with excellent returns, as well as the infrastructure to support this growth, while continuing to return cash to shareholders."
>
> **Third Quarter Highlights**
> The Company reported net income of $235 million, or $0.84 per diluted share, in the 2016 third quarter, compared to net income of $253 million, or $0.86 per diluted share, in the 2015 third quarter.
>
> Net sales increased 5.0 percent to $5.32 billion in the 2016 third quarter compared to $5.07 billion in the 2015 third quarter. Same-store sales decreased 0.1 percent from the 2015 third quarter primarily due to a decline in traffic partially offset by an increase in average transaction amount. Same-store sales were driven by positive results in the consumables

category offset by negative results in the seasonal, apparel and home products categories.

The net sales increase was positively affected by sales from new stores, modestly offset by sales from closed stores.

* * *

Financial Outlook
On March 10, 2016, the Company stated that it intended to update its diluted EPS guidance for the 53-weeks ending February 3, 2017 ("fiscal 2016") only if the Company no longer reasonably expects diluted EPS to fall within the 10 percent to 15 percent range outlined in the long-term growth model included in its press release issued on that date. The Company now forecasts diluted EPS growth for fiscal 2016 to be at the low end of the Company's long-term growth model range of 10 percent to 15 percent. The Company expects the 53rd week to contribute approximately 200 basis points to its net sales performance and continues to estimate a $0.09 per diluted share impact to EPS.

61. The same day, Defendants caused the Company to hold a conference call to discuss the financial and operating results for the third fiscal quarter and nine-months ended October 28, 2016. During the call, defendant Vasos stated, in relevant part:

Defendant Vasos:
As the deflation cycle continues in the quarter, we have re-evaluated how we're looking at the impact ultimately taking a more broad based view. Rather than limiting our view to commodity cost of milk and eggs, we expanded our analysis to the average unit retail price deflation. Applying this broader view of deflation to both our second and third quarters, we experienced a greater impact in the third quarter as compared to the second quarter. We estimate that the combined headwinds from the average unit retail price deflation and reduction in SNAP benefits negatively impacted our same-store sales for the third quarter by approximately 150 to 175 basis points and for our second quarter by approximately 100 to 115 basis points.

We believe many of these issues are transitory in nature.

* * *

Alison Levens:
Great, thanks, very helpful. And then just as a follow-up, can you provide more detail regarding what changed with respect to the SNAP headwinds in 3Q versus 2Q?

> **Defendant Vasos:**
> Yes, you know, when we look at it -- it was about the same. When we look at our SNAP affected states, I'll give you a little color; really what's interesting here is a lot like Q2, Q3 was pretty close to about the same but if you look at it, it affects about 56% of our store base in the states that have reduced or eliminated the SNAP benefit and those states that have -- that have had the reduction or elimination, they are approximately a 100 basis points worse than comp. That gives you a real good idea of how impactful those SNAP benefits -- reductions have been. Again, we feel it's transitory, we'll move through that as we move through 2017 but right now that's why we've really taken a real hard look at reducing prices for those core consumers, especially given around those states because they need this right now based on what we see.

62. On this news, Dollar General stock price declined $3.84 per share, or nearly 5%, from a close of $77.32 per share on November 30, 2016, to close at $73.48 per share on December 1, 2016.

63. As a result of Defendants' actions, the Company has suffered damages. These damages include (but are not limited to) financial harm, a decline in the Company's share price, and severe loss of reputation and standing.

DERIVATIVE AND DEMAND ALLEGATIONS

64. Plaintiff brings this action derivatively in the right and for the benefit of Dollar General to redress the breaches of fiduciary duty and other violations of law by Defendants.

65. Plaintiff will adequately and fairly represent the interests of Dollar General and its shareholders in enforcing and prosecuting its rights.

66. The Board currently consists of the following eight (8) directors: defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard. Plaintiff has not made any demand on the present Board to institute this action because such a demand would be a futile, wasteful and useless act, for the reasons that follow.

67. Defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard (*i.e.*, the entire Board) served as directors of the Company during some or all of the wrongdoing alleged herein, and each faces a substantial likelihood of liability for their participation in the illicit acts alleged herein. The statements and actions concerning the impact of the SNAP reduction on Dollar General's operating business and financials that defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard caused or allowed to occur and be made repeatedly were an integral aspect of the Company's core operations. It was these very actions and statements that defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard caused or allowed to occur and the Company to make that subjected Dollar General to the harm detailed herein. This was in violation of (among other things) these Defendants' fiduciary duties of due care, good faith and loyalty, as well as the Code. Thus, defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard (the entire Board) each faces a substantial likelihood of liability for their acts in connection with these statements, rendering a demand upon them futile.

68. The principal professional occupation of defendant Vasos is his employment with Dollar General as its CEO, pursuant to which he receives substantial monetary compensation and other benefits. In addition, according to the 2016 Proxy, Defendants have admitted that defendant Vasos is not independent. Thus, defendant Vasos lacks independence from demonstrably interested directors, rendering him incapable of impartially considering a demand to commence and vigorously prosecute this action.

69. Defendant Cochran lacks independence and is unable to impartially consider a demand against other directors. In particular, defendant Cochran's brother,

Stephen Brophy ("Brophy"), had served as a non-executive vice president of Dollar General from 2009 until October 2015 and has served as a non-officer level employee since October 2015. According to the 2016 Proxy, for 2015, Brophy earned from Dollar General total cash compensation (comprised of his base salary and bonus compensation) of less than $325,000 and received an annual equity award consisting of 3,583 non-qualified stock options, a target award of 433 performance share units, or "PSUs" (452 PSUs were ultimately earned as a result of our adjusted EBITDA and adjusted ROIC performance), and 433 RSUs. In March 2016, Brophy received an annual equity award consisting of 1,958 non-qualified stock options, a target award of 224 PSUs, and 224 RSUs. As a result of this entangled family relationship with a Company employee, defendant Cochran would be unable to impartially consider a demand to commence and vigorously prosecute this action.

70. During the Relevant Period, defendants Bryant, Cochran, Price and Rickard (a majority of the Board) served as members of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the members of the Audit Committee were and are responsible for, *inter alia*, reviewing the Company's annual and quarterly financial reports, reviewing the integrity of the Company's internal controls, and ensuring that the Company was in compliance with legal and regulatory requirements (and the Code). Defendants Bryant, Cochran, Price and Rickard breached their fiduciary duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed or permitted the Company to disseminate false and misleading statements in the Company's SEC filings and other disclosures, caused the above-discussed internal control failures, and caused or allowed the illicit activity described. Upon information and belief (and pursuant to the rules set forth

in the Audit Committee Charter), the Audit Committee met at least quarterly during the period in question. Therefore, it is readily apparent that the Audit Committee likely met at least once (and probably more) during the period of misconduct and wrongdoing alleged herein. Therefore, defendants Bryant, Cochran, Price and Rickard (a majority of the Board) face a substantial likelihood of liability for their breach of fiduciary duties, and any demand upon them is futile.

71. Defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard (the entire Board) each signed the false and misleading 2015 10-K. The 2015 10-K, signed and authorized by these Defendants, was false and misleading because it falsely stated and/or failed to disclose that: (i) a significant percentage of Dollar General's EPS growth was tied to revenues derived from SNAP benefit recipients; (ii) the reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials, particularly the Company's fiscal 2016 EPS guidance and same-store growth estimates; (iii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iv) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (v) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis. As a result, defendants Vasos, Calbert, Bryant, Cochran, Fili-Krushel, Price, Rhodes and Rickard (the entire Board) each face a substantial likelihood of liability for their actions described herein, rendering any demand upon them futile.

COUNT I
AGAINST ALL DEFENDANTS FOR BREACH OF FIDUCIARY DUTY

72. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

73. As alleged herein, each of the Defendants had a fiduciary duty to, among other things, ensure that the Company and its subsidiaries were operated in a lawful manner, and to exercise good faith to ensure that the Company's financial statements were prepared in accordance with GAAP, and, when put on notice of problems being experienced with the Company's and/or its subsidiaries' business practices and operations, should have exercised good faith in taking appropriate action to correct the misconduct and to prevent its recurrence.

74. The Defendants willfully ignored the obvious and pervasive problems being experienced with Dollar General's internal controls practices and procedures, and failed to make a good faith effort to correct these problems or prevent their recurrence, which ultimately led to the Company sustaining the damages alleged herein.

75. Additionally, as alleged in detail herein, each of the Defendants (and particularly the Audit Committee Defendants) had a duty to ensure that Dollar General disseminated accurate, truthful and complete information to its shareholders.

76. The Defendants violated their fiduciary duties of care, loyalty, and good faith by causing or allowing the Company to disseminate to Dollar General shareholders materially misleading and inaccurate information through, *inter alia*, Dollar General's SEC filings and other public statements and disclosures as detailed herein, which failed to disclose the impact of the SNAP reduction on Dollar General's operating business and financials. These actions could not have been a good faith exercise of prudent business judgment.

77. The Defendants' misconduct alleged herein further constituted an abuse of their ability to control and influence Dollar General and its subsidiaries, for which they are legally responsible. In particular, the Defendants abused their positions of authority by causing or allowing Dollar General and its subsidiaries to misrepresent material facts regarding its business operations and practices, financial position and business prospects.

78. Defendants had a duty to Dollar General and its shareholders to prudently supervise, manage and control the operations, business and internal financial accounting and disclosure controls of Dollar General and its subsidiaries.

79. Defendants, by their actions and by engaging in the wrongdoing described herein, abandoned and abdicated their responsibilities and duties with regard to prudently managing the businesses of Dollar General and its subsidiaries in a manner consistent with the duties imposed upon them by law. By committing the misconduct alleged herein, Defendants breached their duties of due care, diligence and candor in the management and administration of Dollar General's affairs, and in the use and preservation of Dollar General's assets.

80. During the course of the discharge of their duties, Defendants knew or recklessly disregarded the unreasonable risks and losses associated with their misconduct, yet Defendants caused Dollar General to engage in the illicit scheme complained of herein which they knew had an unreasonable risk of damage to Dollar General, thus breaching their duties to the Company. As a result, the Defendants grossly mismanaged Dollar General.

81. As a direct and proximate result of the Defendants' foregoing breaches of fiduciary duties, the Company has suffered significant damages, as alleged herein.

82. As a result of the misconduct alleged herein, Defendants are liable to the Company.

83. Plaintiff, on behalf of Dollar General, has no adequate remedy at law.

COUNT II
AGAINST ALL DEFENDANTS FOR UNJUST ENRICHMENT

84. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

85. By their wrongful acts and omissions, the Defendants were unjustly enriched at the expense of and to the detriment of Dollar General in the form of, *inter alia*¸ salaries, bonuses, stock options, and/or other forms of executive compensation.

86. Plaintiff, as a shareholder and representative of Dollar General, seeks restitution from these Defendants, and each of them, and seeks an order of this Court disgorging all profits, benefits and other compensation obtained by these Defendants, and each of them, from their wrongful conduct and fiduciary breaches.

COUNT III
AGAINST ALL DEFNDANTS FOR VIOLATIONS OF SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

87. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

88. Rule 14a-9, promulgated pursuant to §14(a) of the Securities Exchange Act of 1934, provides that no proxy statement shall contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." 17 C.F.R. §240.14a-9. Specifically, the 2016 Proxy violated §14(a) and Rule 14a-9 because it solicited Dollar General

shareholder votes for, *inter alia*, director reelection, while simultaneously misrepresenting and/or failing to disclose that Defendants were making false and misleading statements about the Company's operations and prospects (as detailed above) and were violating the Code. As set forth above, Defendants failed to disclose that: (i) a significant percentage of Dollar General's EPS growth was tied to revenues derived from SNAP benefit recipients; (ii) the reinstitution of time limits on SNAP benefits would impact Dollar General's operating business and financials, particularly the Company's fiscal 2016 EPS guidance and same-store growth estimates; (iii) 56 percent of Dollar General stores are located in states that re-implemented the time limitation on SNAP benefits; (iv) the announced benefit reductions would have a disproportionate impact on the Company's sales relative to the overall percentage of sales derived from SNAP payments; and (v) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Dollar General's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis.

89. In the exercise of reasonable care, Defendants should have known that the statements contained in the 2016 Proxy were materially false and misleading.

90. The misrepresentations and omissions in the 2016 Proxy were material. The 2016 Proxy was an essential link in the accomplishment of the continuation of Defendants' scheme by which they claim to adhere to, *inter alia*, the express terms of the Code.

91. In the exercise of reasonable care, Defendants should have known that the statements contained in the 2016 Proxy were materially false and misleading, and/or that the Proxy omitted material information. The Company was damaged as a result of Defendants' material misrepresentations and omissions in the 2016 Proxy.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Against all Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of Defendants' breaches of fiduciary duties;

B. Directing Dollar General to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect the Company and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote resolutions for amendments to the Company's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before shareholders for a vote a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;

C. Awarding to Dollar General restitution from Defendants, and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by the Defendants;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

Respectfully submitted dated this 23 day of March, 2017

/s/Devon J. Sutherland

Sutherland Law Office
Devon J. Sutherland, TN S.Ct, No 020302
P.O. Box 2852
Hendersonville, TN 37075
(615) 824-7059

/s/ Joseph M. Profy

Profy Promisloff & Ciarlanto, P.C.
Jeffrey J. Ciarlanto
Joseph M. Profy
David M. Promisloff
100 N 22nd Street, Unit 105
Philadelphia, PA 19103
Phone: (215) 259-5156
Fax: (215) 600-2642

Law Office of Alfred G. Yates, Jr., P.C.
Alfred G. Yates, Jr.
Gerald L. Rutledge
519 Allegheny Building
429 Forbes Avenue
Pittsburgh, PA 15219
Phone: (412) 391-5164
Fax: (412) 471-1033

Counsel for Plaintiff